

Exhibit 16

Corporate Compliance Quarterly Report to Board of Directors 1Q09

May 8, 2009

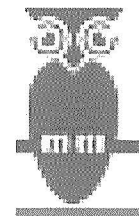
Bert Weinstein

Vice President, Corporate Compliance



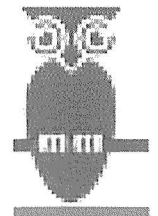
Agenda

- Purdue's CIA
 - Update on OIG Communications
 - Investigations
 - IRO Reviews
 - Monitoring
- State Reporting
- Increasing Pharma Cases
- Hotline Calls and Other Inquiries



OIG Communications

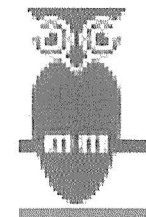
- We have had the following communications with OIG:
 - OxyContin visual aid Reportable Event – reported 12/23/08; final report 2/11/09; not heard further
 - 3/19 letter reporting on Savings Card investigation
 - 4/21 outside counsel letter re Howard Udell consulting ground rules
 - 4/28 notification of products and Medical Services Categories and Topics
 - 4/29 letter reporting senna products recall by Time-Cap Labs
 - 4/17 email and 4/28/09 call re investigation (DM requirements)
 - 5/4 meeting with OIG in Washington



Investigation – DM Requirements

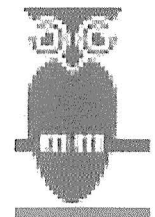
■ Bottom Line

- Investigation revealed that a few District Managers have fallen short of expectations
 - Reviews of call notes
 - Time spent in field doing ride-alongs with representatives
 - Routine administrative activities
 - Accurate and complete documentation (calendars, FCRs, etc.)
- One CIA-related obligation (completion of FCRs) is deficient
- Review of call notes and other monitoring has uncovered
 - No Improper Promotion
 - No Inappropriate discussion of abuse, diversion, tolerance, withdrawal
 - No violations of Law



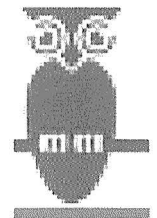
The Spokane District

- Mid-February: North Central RD identified inconsistencies and gaps in Spokane DM's data, prompting further investigation by RD
- Early March: DM contacted IT Department to "update" information in territory management system.
 - Per procedure, IT contacted Compliance before making any changes
 - DM's request prompted Corporate Compliance investigation
- March 26: RD had follow up meeting with DM; unsatisfactory responses to inquiries prompted decision to put DM on paid leave on March 27
- April 8-9: Sales and Compliance conducted in-person interviews with all Spokane district members
- April 10: DM terminated; RD temporarily providing oversight to district
- May 1 – July 30: With assent of OIG, substitute DMs will complete the required FCRs to ensure compliance with CIA requirement



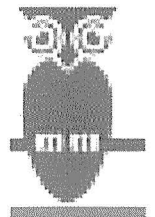
Analysis of FCR Data for All Districts

- Spokane activity prompted nationwide review of Field Contact Reports (FCR) to ensure compliance with CIA requirement for five full days of observation of sales rep interactions with HCPs
 - At time of CIA negotiations, understood that DMs were conducting 15+ days of ride-alongs per rep; CIA five day requirement deemed easily achievable
 - Compliance had not monitored the “five full days” requirement
- Documentation Requirement
 - For a ride-along session to count toward the CIA requirement, it needs to be documented in a FCR
 - DMs are to document ride-along sessions of 2 days (or, in rare cases, 3 days); documentation of 1 day ride-along (also thought to be rare) not required
- Deficiencies
 - Review of nationwide data revealed major deficiencies in two other districts (South Carolina, Kansas City)



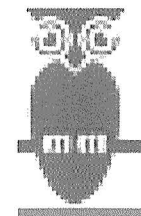
South Carolina District

- Mid-April: Southern Region RD began investigation based on live observation of DM's activities and analysis of records that suggested DM not performing as required
- Review also initiated by Corporate Compliance due to compliance concerns, including failure to meet FCR requirements in CIA
- April 27: Sales Management and Compliance conducted interview with DM; unsatisfactory responses prompted decision to put DM on paid leave
- April 29: Sales and Compliance conducted interviews with all South Carolina district members
- May 1: DM terminated; RD is temporarily providing oversight to district
- May 1 – July 30: substitute DMs will complete the required FCRs to ensure compliance with CIA requirement



Kansas City District

- Mid-April: South Central RD began investigation based on live observation of DM's actions as well as data analysis that suggested DM not performing as required
- Review also initiated by Corporate Compliance due to compliance concerns, including failure to meet FCR requirements in CIA
- Week of May 4: Sales and Compliance conducted interviews of DM and all Kansas City district members; further steps to be taken as warranted by investigation findings



Investigative and Corrective Steps

■ CIA Year 2 (7/08-7/09)

- Full completion of ride-along requirement for Year 2 is top priority

■ CIA Year 3 (7/09-7/10)

- Reporting tools to monitor requirements in development
 - Changes to FCR in Phoenix
 - Development of custom reports to highlight any gaps
- Sales Management and Compliance to train RDs and DMs
 - Establish *clear* expectations
 - Retrain on operational responsibilities
 - Introduce new monitoring tools for use by field and Compliance

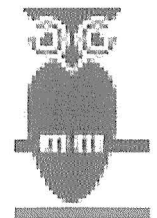
■ CIA Year 1 (7/07-7/08)

- In process of evaluating Year 1 data to determine if deficiencies exist
 - If identified, disclose to OIG and implement remediation



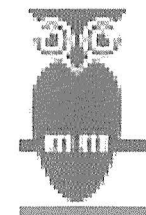
Huron's CIA Systems Reviews

- 9 Systems Reviews during the Second Reporting Period (ending 7/30/09)
- 3 reviews completed, drafts issued, and discussed with Huron:
 - *Provision of Off-Label information about Purdue products*
 - 3 Recommendations
 - Centralized training repository
 - Review of Medical Liaison call entries in Phoenix
 - Clarification of Medical Services SOP
 - *Promotional Monitoring Program*
 - 2 Recommendations to revise procedures on monitoring FCRs
 - *Disciplinary Actions*
 - 6 Recommendations to assure consistency of process,
and provide access to Discipline Database by Compliance



Huron's CIA Systems Reviews

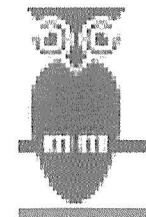
- 3 reviews have just been completed, with draft received:
 - ***Sales Force Responses to Questions about Off-Label Uses***
 - 5 Recommendations regarding training of representatives
 - ***Sales Force Use of Materials***
 - Recommendation to add local exhibits to promotion monitoring program
 - ***Interactions of Sales Force, Medical Liaisons, Medical Services***
 - Recommendation that ML entries into Phoenix be monitored by ML management
- 3 reviews to go:
 - Material Review
 - Non-Promotional Educational/Informational Sponsorships
 - Employee Compensation



Huron's CIA Transaction Reviews

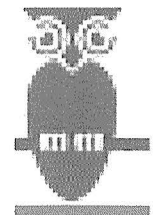
- Huron will also perform *two Transaction Reviews* in the Second Reporting Period, similar to reviews done last summer:
 - Focus Inquiry Monitoring
 - Promotion Monitoring Program

- All IRO reviews will be completed by August 2009, with Purdue opportunity to review and discuss drafts in advance of submission to OIG as part of our Second Annual Report due September 25, 2009



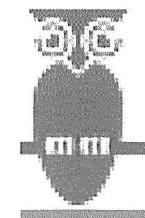
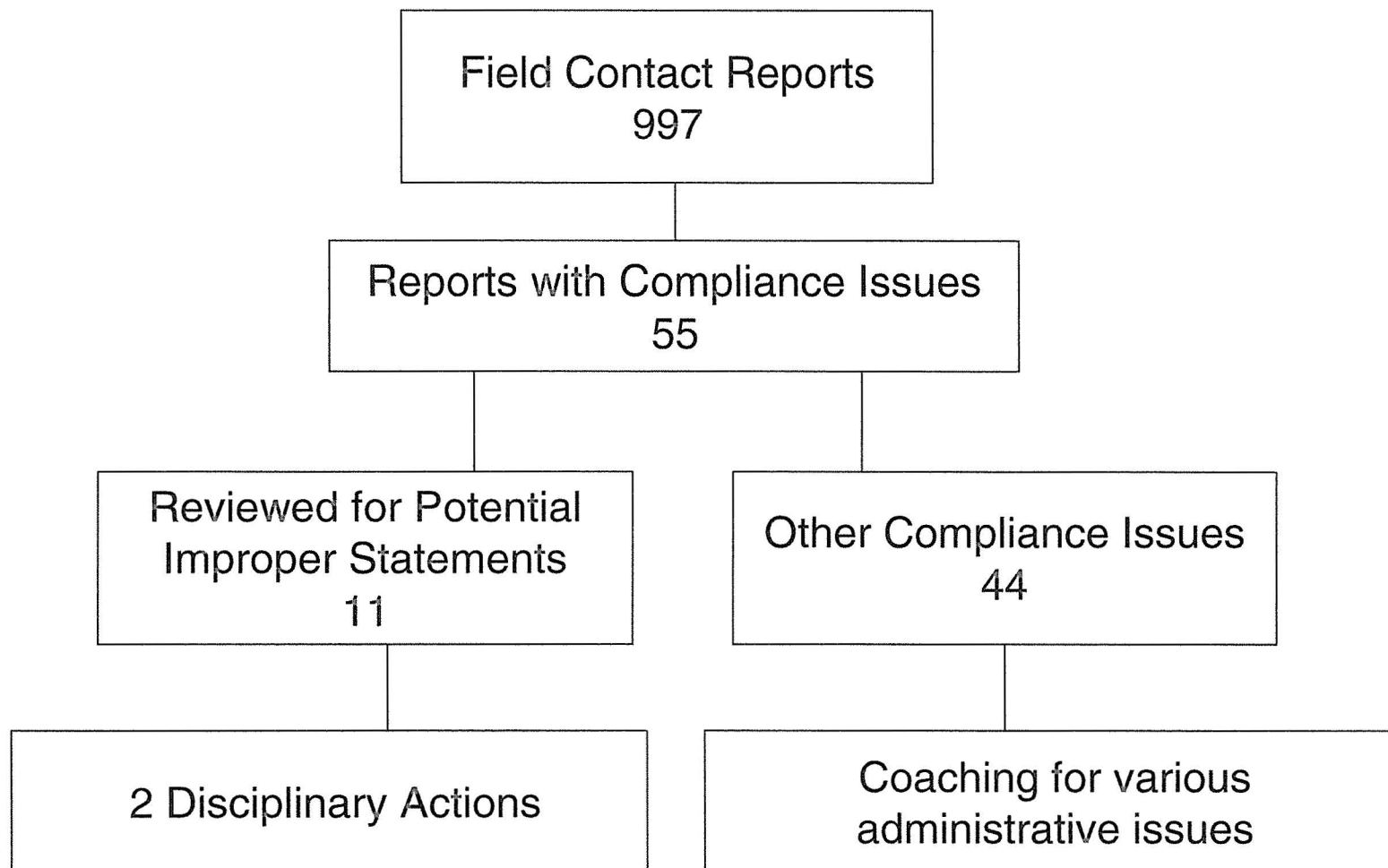
Monitoring 7/31/08 - 1/31/09

- Promotion Monitoring Program
 - 997 Field Contact Reports
 - 55 with rating of '1' in compliance
 - 11 reviewed for potential improper promotion
 - Disciplinary matters
 - 1 Representative terminated for multiple promotional conduct issues
 - 1 Representative given written warning from Regional Director regarding referral to a Urine Drug Screening Company
 - Open matters
 - Representative printed contents of a non-branded promotional CD-ROM, and provided to HCP
 - Possession of discontinued materials



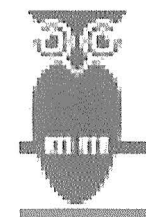
CIA Field Contact Reports

Second Reporting Period through 01/31/2009



State Law Reporting Update

- Initiated registration process for individuals engaging in the “practice of pharmaceutical detailing” in D.C. per SafeRx Act (due 4/1/09)
- Timely filed mandatory reports in West Virginia (due 4/1/09) and Minnesota (due 5/1/09)
- Preparing reports for Nevada (6/1/09) and Maine, California, D.C., and Massachusetts (due 7/1/09)
- Routine monitoring confirms annual spend limits not exceeded
 - MN (\$50/HCP)
 - CA (\$750/HCP)
- No compliance issues identified
- Working with IT Department to enhance expense tracking solution to allow for better aggregate spend reporting consistent with elements of proposed Physician Payments Sunshine Act



Purdue CIA – Before and After

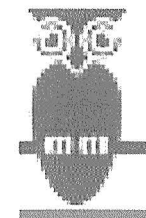
- In the two years *prior* to Purdue's 5/07 \$634 million CIA
 - There were 11 pharma CIAs with payments of **\$2.3 billion**
 - The largest three were:

Serono	10/05	\$704 million – kick-backs
GSK	9/05	650 million – marketing the spread / AWP
Schering – Plough	8/06	435 million – off-label promotion

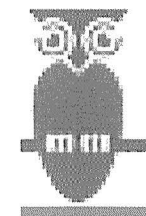
- In the two years *since* Purdue's CIA
 - There have been 14 pharma CIAs with payments of **\$4.6 billion**
 - The largest three were:

Lilly	1/09	\$1.4 billion – off-label promotion
Merck	2/08	671 million – overcharges to govt programs
BMS	10/07	515 million – kick-backs / off-label promo

- 1/09 Pfizer announced \$2.3 billion reserve for off-label CIA

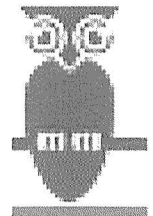


Hotline Calls and Other Inquiries 1Q09

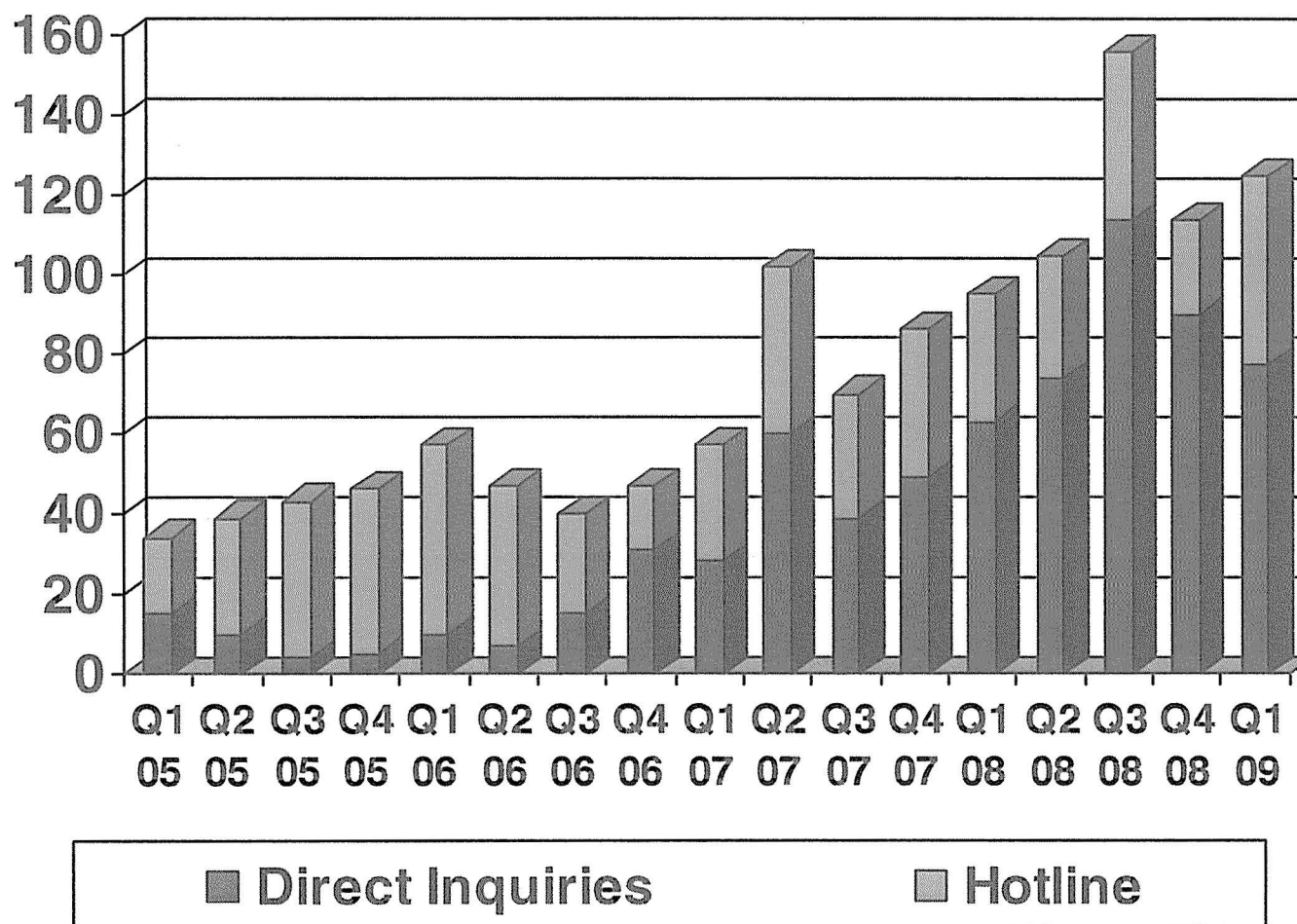


Hotline and Other Inquiries 1Q09

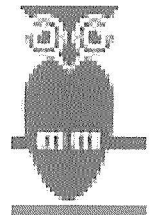
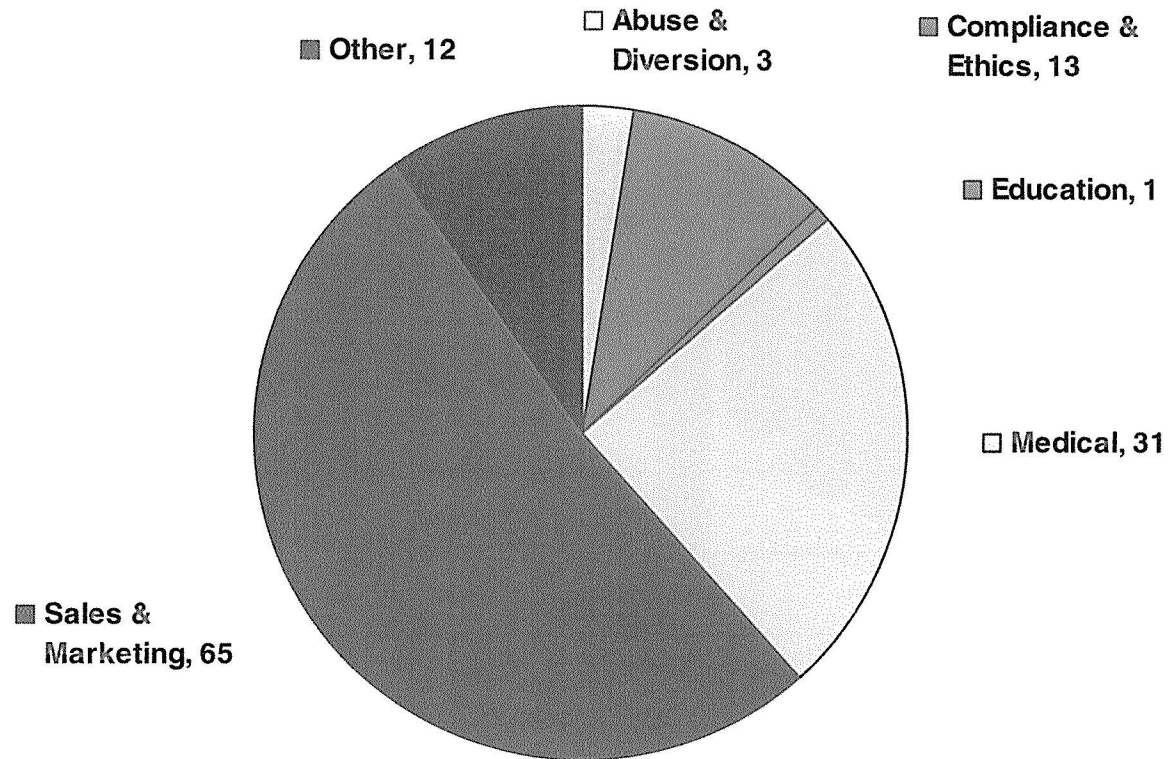
- Investigated 125 matters in 1Q09, including:
 - 39 Institutional Policies questions
 - 21 matters related to Company promotional guidelines
 - 40 miscellaneous inquiries from patients – medical requests, financial assistance, product complaints, AEs, help finding a prescriber or pharmacy



Inquiries by Quarter (1Q05 – 1Q09)



1Q09 Compliance Inquiries



Inquiry Response Time

Days to Close Inquiries 1Q09 (as of 4/29/09)

